

Investor Factbook



14 August 2018

Key messages

- H1 Profit Before Tax of £1.8 billion, and Attributable Profit of £888 million. Good performance in a tough operating environment
- Declared a 2p interim ordinary dividend, building to a pay out ratio of around 40% over time⁽¹⁾
- On track to deliver our 2020 financial targets⁽²⁾
- PBB & CPB income up, costs down, RWAs down, major legacy issues largely resolved
- Focused on improving customer service – physical to digital shift continues at pace.

2020 Financial Targets⁽²⁾

Our strategic plan targets sustainable returns based on...

12%+
ROTE

Sub-50%
Cost: Income
Ratio

This will be based off...

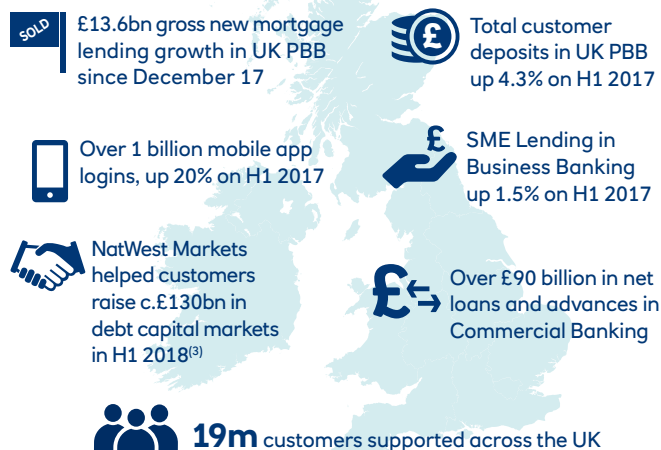
CET1 ratio
in excess of
13%

UK income
~90%

Retail &
Commercial
RWAs~85%

Supporting our customers

Helping UK and Republic of Ireland businesses and homeowners



Our Brands



Delivering on our strategy is driving returns for shareholders

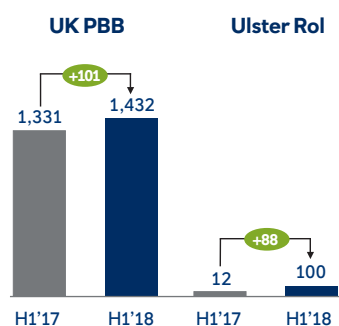
Stable income	Reducing cost	Strong capital and delivering returns
<ul style="list-style-type: none"> ■ Excluding NatWest Markets, central items and one offs, income is stable compared to H1 2017⁽⁴⁾ ■ NatWest Markets income reduced £175m, or 19.5%, on H1 2017 reflecting reduced income in the core Rates business 	<ul style="list-style-type: none"> ■ £133m other expenses reduction down 3.6% on H1 2017⁽⁵⁾ ■ 5k Fewer FTEs down 6.7% on H1 2017 	<ul style="list-style-type: none"> ■ 16.1% H1 2018 CET1 Ratio ■ 5.3% H1 2018 Group ROTE (~10% ex. net RMBS charge) ■ £888m H1 2018 Attributable profit down £51m on H1 2017 ■ 286p Fully diluted Tangible Net Asset Value

(1) See announcement on 14th August 2018. (2) The targets, expectations and trends discussed in this presentation represent management's current expectations and are subject to change, including as a result of the factors described in the "Summary Risk Factors" on pages 48 and 49 of the H1 2018 IMS and the "Risk Factors" on pages 372 to 402 of the Annual Report and Accounts 2017. (3) NatWest Markets has acted as Active Bookrunner for Issuers across Corporate, FI and SSA sectors, helping them to raise c. £130bn in debt capital markets across H1. (4) Total income decreased by £217m, or 3.1% compared with H1 2017. (5) Excluding a VAT release in 2017.

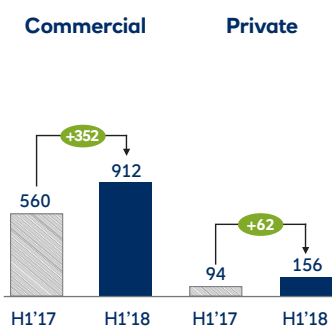
H1 2018 results by business

Personal and Business Banking

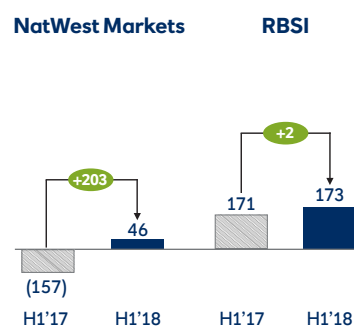
Operating profit (£m)



Commercial and Private Banking



NatWest Markets and RBSI



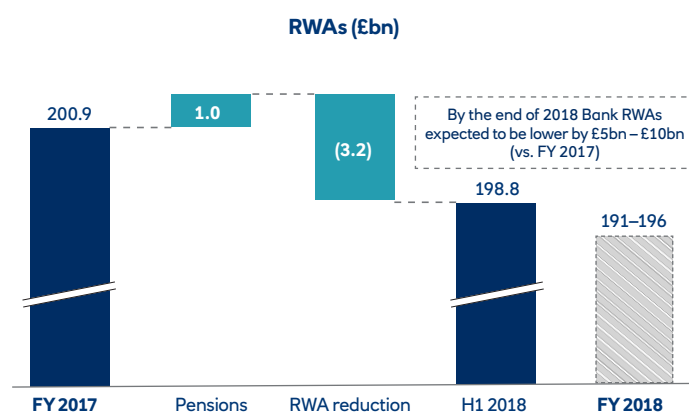
■ Reported operating profit ■ Operating profit includes transfers for a like-for-like comparison

(£bn)	UK PBB	Ulster Bank Rol	Commercial Banking	Private Banking	RBS International	NatWest Markets	Central items & other ⁽¹⁾	Total RBS
Income	3.2	0.3	1.8	0.4	0.3	0.7	0.1	6.7
Operating expenses	(1.6)	(0.3)	(0.8)	(0.2)	(0.1)	(0.7)	(1.0)	(4.7)
Impairment (losses)/releases	(0.1)	0.0	(0.0)	(0.0)	0.0	(0.0)	0.0	(0.1)
Operating profit	1.4	0.1	0.9	0.2	0.2	0.0	(1.0)	1.8
Funded Assets	192.3	24.8	141.8	20.9	29.8	134.5	53.1	597.2
Net L&A to Customers	161.9	19.1	90.7	13.8	13.0	21.2	0.3	320.0
Customer Deposits	182.2	17.6	96.4	26.4	28.5	14.8	0.4	366.3
RWAs	43.4	16.8	71.7	9.4	6.8	50.1	0.6	198.8
LDR	89%	109%	94%	52%	46%	143%	n.m.	87%
RoE (%)⁽²⁾	29%	7%	14%	16%	26%	(1%)	n.m.	5.3%
Cost : Income ratio (%) ⁽³⁾	50%	81%	46%	59%	40%	93%	n.m.	70%

(1) Central items includes unallocated transactions which principally comprises RMBS charges and volatile items under IFRS. (2) RBS's CET 1 target is in excess of 13% but for the purposes of computing segmental return on equity (ROE), to better reflect the differential drivers of capital usage, segmental operating profit after tax and adjusted for preference dividends is divided by notional equity allocated at different rates of 14% (Ulster Bank Rol), 11% (Commercial Banking), 13.5% (Private Banking), 16% (RBS International) and 15% for all other segments, of the monthly average of segmental risk-weighted assets incorporating the effect of capital deductions (RWAs). RBS Return on equity is calculated using profit for the period attributable to ordinary shareholders. (3) Operating lease depreciation included in income.

Robust Balance Sheet and Capital Strength

Continued RWA reductions support strong capital build

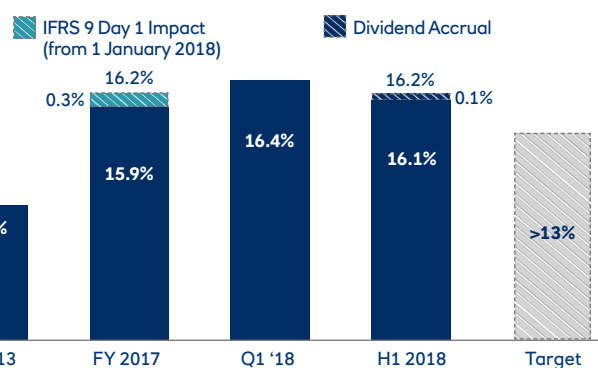


RWA Outlook⁽¹⁾

- Expect RWAs to reduce by £5-10bn (vs. FY 2017) by year end 2018
- Mortgage risk weighting expected to increase RWAs by £12bn in H2 2020
- Basel 3 amendments currently assumed to inflate RWAs by 10%, or around £20bn in 2021/2022.

(1) This represents management's current expectations which are subject to change, including as a result of the factors described in the "Summary Risk Factors" on pages 48 and 49 of the H1 2018 IMS and the "Risk Factors" on pages 372 to 402 of the Annual Report and Accounts 2017. (2) Subject to passing the 2018 Bank of England Stress Test. We would not expect any such additional distributions until 2019.

Common Equity Tier 1 Ratio

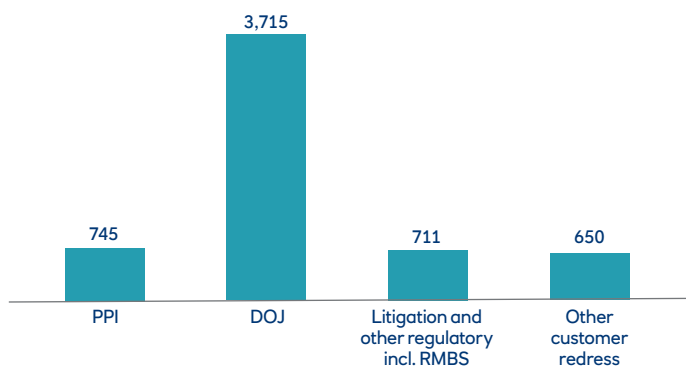


Dividend declared

- Declared an interim dividend of 2p per ordinary share
- Ordinary dividend pay-out ratio to build to around 40% of attributable profits
- We will consider further distributions in addition to regular dividend pay-outs⁽²⁾.

Litigation and conduct

End of H1 2018 provisions (£m)



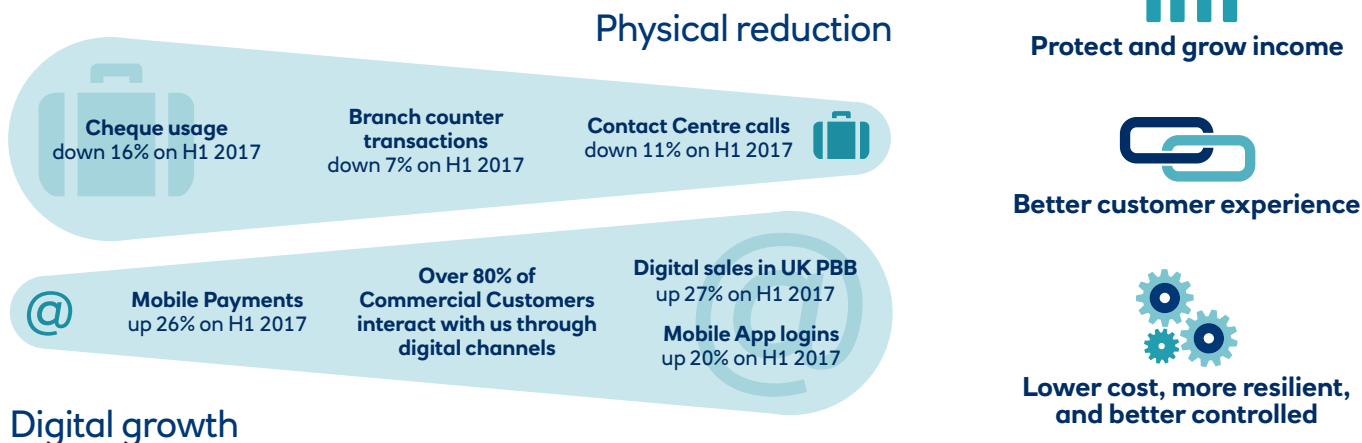
Total provisions for liabilities and charges: £7.0bn⁽¹⁾ as at H1 2018

(1) Includes 'other' provisions as per Note 4 of the Interim 2018 results announcement.

Comments	
US RMBS	<ul style="list-style-type: none"> Settlement in principle reached with DOJ for US RMBS Incremental charge of £1,040m taken in Q2 2018 Nomura RMBS litigation indemnity recovery of £241m.
Payment Protection Insurance	<ul style="list-style-type: none"> RBS has made provisions totalling £5.1bn to date for PPI claims. £4.4 billion had been utilised by 30 June 2018 £156m of provisions utilised in the quarter £745m balance sheet provisions (including Plevin) remaining.

Shift from physical to digital continues at pace

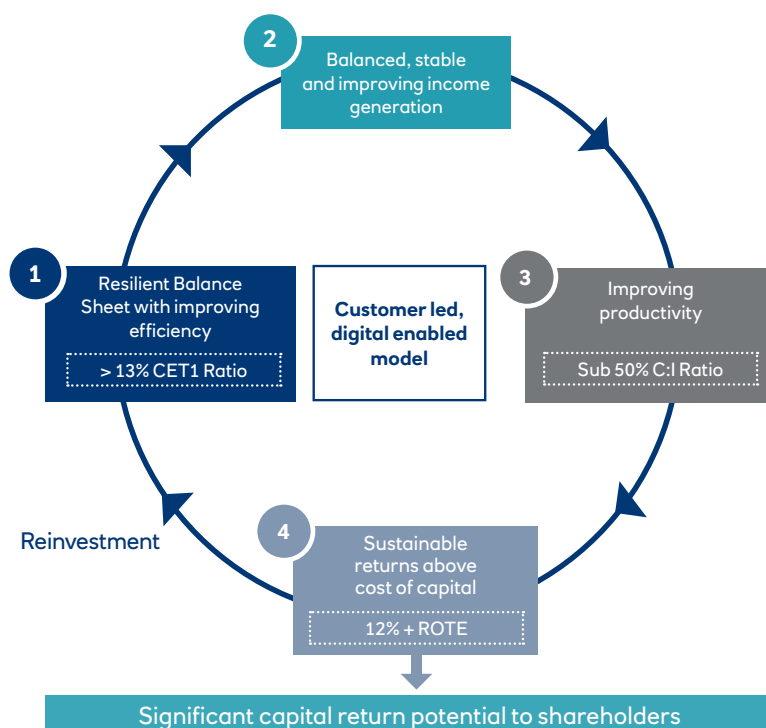
Continued focus on investment in digital channels



2020 investment case¹

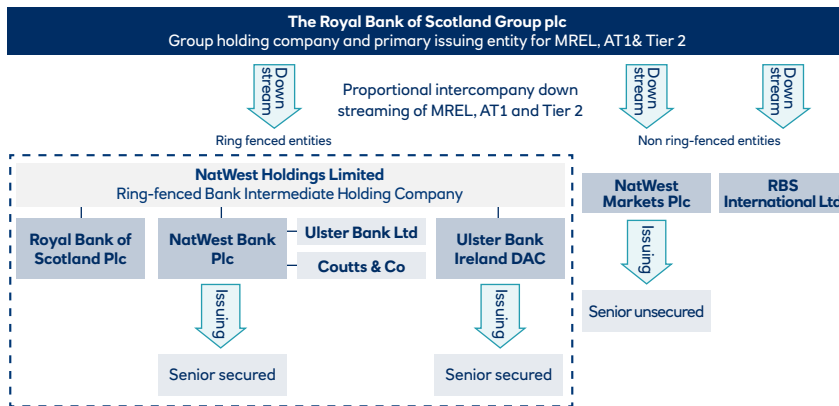
The bank we are becoming

- A leading UK Retail and Commercial Bank with a focused Markets division
- Strong brands and market positions
- Growing in attractive chosen markets
- Track record of cost and risk reduction – sub 50% C:I ratio
- Improving returns and capital generation – 12%+ ROTE
- Resilient balance sheet – >13% CET1 Ratio
- Significant distribution potential.



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Issuance reflects post ring-fencing entity structure



- Ring-fenced entity funding weighted toward deposits
- No requirement for senior unsecured issuance out of the ring-fenced bank OpCos
- Potential for secured issuance from ring-fenced bank OpCos for funding diversification purposes
- ~£1-1.5bn senior unsecured issuance in H2 for NatWest Markets Plc.

Positive momentum on ratings in H1

	Moody's	S&P	Fitch
RBS Group	Baa2/Pos	BBB-/Pos	BBB+/Pos
Inside the ring-fence			
NatWest Bank Plc	A1*/A2/Pos	A-/Pos	A-/Pos
Royal Bank of Scotland	A1*/A2/Pos	A-/Pos	A-/Pos
Ulster Bank Ireland DAC	Baa1*/Baa2/Pos	BBB+/Pos	BBB/Pos
Ulster Bank Ltd	A1*/A2/Pos	A-/Pos	A-/Pos
Outside the ring-fence			
NatWest Markets Plc	Baa2/Pos	BBB+/Pos	BBB+/Pos
NatWest Markets N.V.	Baa2/Pos	BBB+/Pos	BBB+/Pos
NatWest Markets Securities Inc	NR	BBB+/Pos	BBB+/Pos
RBSI	NR	BBB+/Pos	BBB+/Pos

*Reflects the Moody's Bank Deposits rating for NatWest Bank Plc, Royal Bank of Scotland plc, Ulster Bank DAC and Ulster Bank Ltd

Ratings actions in H1

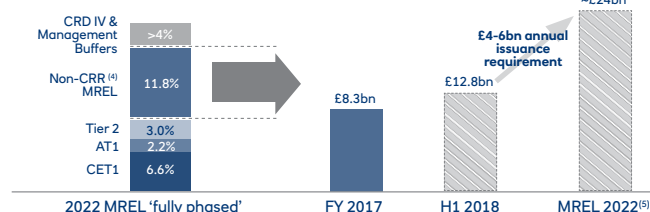
- H1 2018 saw positive action on our ratings from all three agencies
- Moody's upgraded the senior unsecured ratings of RBSG to Baa2
- S&P upgraded the ratings of the ring-fenced OpCos and RBSI and affirmed the rating of NatWest Markets Plc
- Fitch upgraded the ratings of NatWest Bank and Ulster Bank Limited and assigned a final rating to newly renamed Royal Bank of Scotland plc
- HoldCo and the OpCos now on positive outlook across all three agencies.

On track to meet future MREL⁽²⁾ requirements

Future LAC requirement⁽¹⁾

Based on BoE June 2018 guidance

- H1 2018 Loss Absorbing Capital ratio 29.7%, including CET1 and other legacy securities⁽⁶⁾, versus 28% BoE 2022 guidance

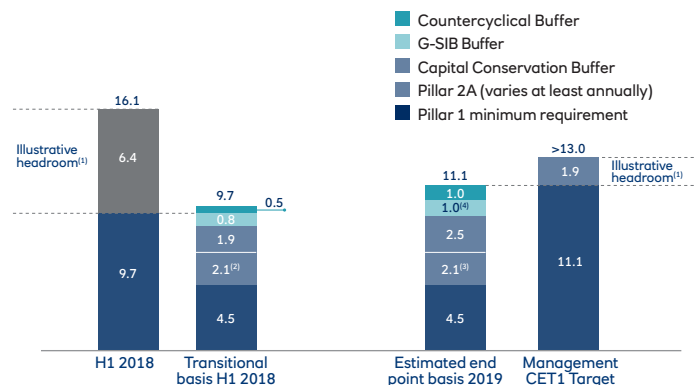


(1) LAC: Loss Absorbing Capital, comprising total MREL and CRDIV buffers. (2) Minimum requirement for own funds and eligible liabilities. (3) Illustrative only, both RWA and future capital requirements subject to change. (4) Non-CRR MREL = Loss Absorbing Capital not required to be met by CRDIV compliant regulatory capital. (5) MREL 1 Jan 2022 = 2x Pillar 1 and 2x Pillar 2A. Pillar 2A requirement held constant over the period for illustration purposes. For further information on TLAC and MREL, including associated leverage requirements, please refer to 'Capital sufficiency' disclosure in the 2017 Annual Report & Accounts. (6) For further information please see 'Loss Absorbing Capital' disclosure in the appendix.

Strong CET1 build

Target CET1 ratio versus maximum distributable amount ("MDA"), %

Illustration, based on assumption of static regulatory capital requirements



(1) Headroom presented on the basis of MDA, and does not reflect excess distributable capital. Headroom may vary over time and may be less in future. (2) RBS's Pillar 2A requirement was 3.9% of RWAs as at 31 December 2017. 56% of the total Pillar 2A requirement, must be met from CET1 capital. (3) Pillar 2A requirement held constant over the period for illustration purposes. Requirement is expected to vary over time and is subject to at least annual review. (4) 0.5% Countercyclical Buffer introduced from June 2018, expected to increase to 1.0% from November 2018.

Our Investor Relations team is available to support your research

Matt Waymark
Head of Investor Relations
matthew.waymark@rbs.co.uk
+44 20 7672 1758

Alexander Holcroft
Head of Equity Investor Relations
alexander.holcroft@rbs.com
+44 20 7672 1758

Paul Pybus
Head of Debt Investor Relations
paul.pybus@rbs.com
+44 20 7678 1153

Serpil Sancar
PA to Matt Waymark & Alexander Holcroft
serpil.sancar@rbs.com
+44 20 7672 1758

For investors/analysts:

Michael Tylman
Manager,
michael.tylman@rbs.com
+44 20 7672 1958

Sarah Lunn
Manager,
sarah.lunn@rbs.com
+44 20 7672 1762

Leah McCreanor
Senior Manager,
leah.mccreanor@rbs.com
+44 20 7672 2351

Amber Sekhri
Manager,
amber.sekhri@rbs.co.uk
+44 20 7672 1760

For corporate access: